

AMENDED IN ASSEMBLY MAY 31, 2001
AMENDED IN ASSEMBLY APRIL 17, 2001
AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 984

**Introduced by Assembly Member Papan
(Coauthor: Assembly Member Alquist)**

February 23, 2001

~~An act to add Section 6368.8 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act relating to taxation, and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 984, as amended, Papan. Sales and use taxes: exemptions: sales and leasebacks of public passenger transportation vehicles.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for sales and leasebacks of passenger transportation vehicles to the Department of Transportation.

~~This bill would exempt sales and leasebacks of public passenger transportation vehicles by a transit authority, special district, or governmental entity, as specified.~~

~~Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state~~

~~sales and use taxes enacted by the Legislature are incorporated into the local taxes.~~

~~Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.~~

~~This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.~~

~~This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.~~

This bill would require the Franchise Tax Board to conduct a study on the use of sale and leaseback and lease and subleaseback financing transactions by California transit agencies for the lease or sublease of public passenger transportation vehicles. This bill would require the study to consider the impact of federal laws and to estimate the impact on the General Fund if these transactions were exempted from the Sales and Use Tax Law.

This bill would also require the Franchise Tax Board to complete its study and report its findings to the Legislature on or before July 1, 2002.

This bill would appropriate \$100,000 from the General Fund to the Franchise Tax Board in order to implement the bill.

Vote: ~~majority~~ ^{2/3}. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: ~~yes~~ no.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. — Section 6368.8 is added to the Revenue and~~
- 2 *SECTION 1. (a) The Franchise Tax Board shall conduct a*
- 3 *study on the use of sale and leaseback and lease and subleaseback*
- 4 *financing transactions by California transit agencies for the lease*
- 5 *or sublease of public passenger transportation vehicles.*
- 6 *(b) The study shall address issues concerning compliance with*
- 7 *federal law, including Department of Treasury Ruling 99–14.*
- 8 *(c) The Franchise Tax Board, in consultation with the State*
- 9 *Board of Equalization, shall include in this study the estimated*
- 10 *impact on the General Fund that would occur if the gross receipts*
- 11 *from leases and subleases of public transportation vehicles by*
- 12 *California transit agencies, that would otherwise be subject to*

1 *California's Sales and Use Tax Law, were exempted from the*
2 *imposition of sales and use taxes.*

3 *(d) The Franchise Tax Board shall complete this study and*
4 *report its findings to the Legislature on or before July 1, 2002.*

5 *SEC. 2. The sum of one hundred thousand dollars (\$100,000)*
6 *is hereby appropriated from the General Fund to the Franchise Tax*
7 *Board to conduct the study in order to implement this act.*

8 ~~Taxation Code, to read:~~

9 ~~6368.8. (a) There are exempted from the taxes imposed by~~
10 ~~this part, the gross receipts from the sale in this state of, and the~~
11 ~~storage, use, or other consumption in this state of, public passenger~~
12 ~~transportation vehicles sold or leased by a transit authority, special~~
13 ~~district, or governmental entity and leased or subleased back to that~~
14 ~~authority, district, or entity.~~

15 ~~(b) For purposes of this section, the term "public passenger~~
16 ~~transportation vehicles" includes, but is not limited to, rail~~
17 ~~passenger cars, locomotives, other rail vehicles, bus and van fleets,~~
18 ~~and ferry boats used in the provision of public transportation~~
19 ~~services.~~

20 ~~(c) This exemption shall not apply to the first or initial~~
21 ~~acquisition or use of a public transportation vehicle by a transit~~
22 ~~authority, special district, or governmental entity.~~

23 ~~SEC. 2. Notwithstanding Section 2230 of the Revenue and~~
24 ~~Taxation Code, no appropriation is made by this act and the state~~
25 ~~shall not reimburse any local agency for any sales and use tax~~
26 ~~revenues lost by it under this act.~~

27 ~~SEC. 3. This act provides for a tax levy within the meaning of~~
28 ~~Article IV of the Constitution and shall go into immediate effect.~~
29 ~~However, the provisions of this act shall become operative on the~~
30 ~~first day of the first calendar quarter commencing more than 90~~
31 ~~days after the effective date of this act.~~